



About Galilee

Galilee Energy Limited (ASX:GLL) is an emerging energy company with coal seam gas interests in Australia.

Galilee holds two prospective coal seam gas and hydrocarbon tenements in the Galilee Basin in central Queensland through subsidiary, Galilee Resources. The tenements, ATPs 529P and 799P, cover approximately 9,000 Km².

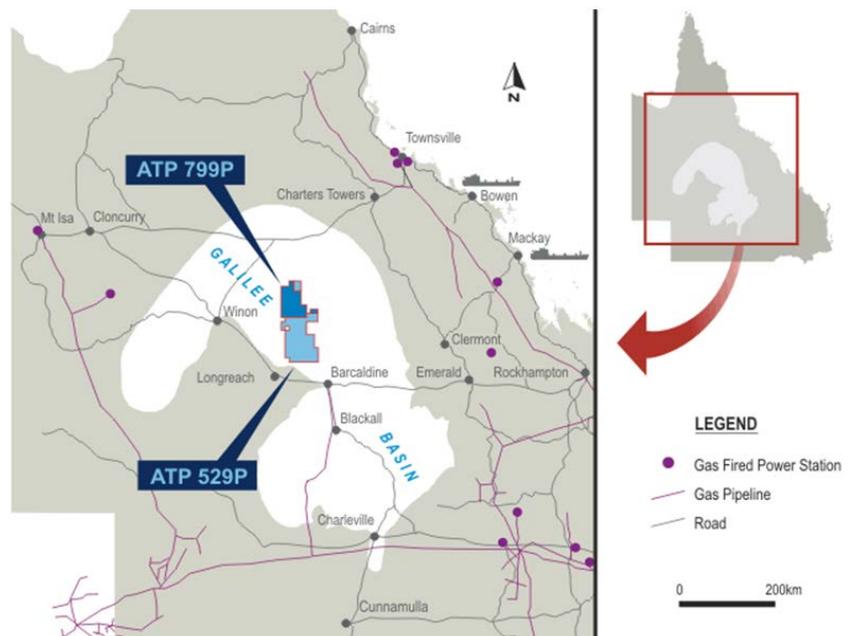
ATP 529P is held by the Galilee Gas Project, a 50/50 joint venture (JV) with AGL Energy Limited (AGL) under which AGL is the operator. ATP 799P is wholly owned and operated by Galilee.

Galilee has an experienced board and management with collective track records in growing junior resource companies. It is actively pursuing growth through hydrocarbon development opportunities.

Galilee Gas Project

KEY POINTS

- ❖ **Galilee Gas Project (ATP 529P JV with AGL)**
 - **Glenaras pilot - reserves campaign continues**
 - **Successful workovers of GA02 & GA04**
- ❖ **ATP 799P program for 2012 planned**
- ❖ **Search for growth opportunities continues**
- ❖ **Cash at bank \$33.8 million**
- ❖ **No debt**



Map 1: Location of GLL's coal seam gas tenements

Galilee Gas Project (ATP 529P - Galilee 50%, AGL 50% and operator)

After producing gas in late 2011 the focus of the Glenaras pilot has turned to stabilising performance, reducing water levels on all five wells and demonstrating commercial gas flow rates with an objective of continuous flow in 2012.

Ongoing activities

Operation of the Glenaras pilot continues with a number of workovers after gas flows from several wells. During the Quarter the JV received regulatory approval to continue the pilot through to November 2012. During the Quarter high levels of rainfall impacted operations, and held up workovers.

During the Quarter the JV parties undertook a number of activities to manage the operation of the pilot. Work included:

- Continued the gas-flow test program;
- Workovers for GA02 and GA04;
- Water studies for produced water management; and
- Preparing the regulatory case for continuation of the Pilot.

Gas flow test

The Joint Venture's gas-flow test program commenced in early May 2012. Total gas production of 1,170 mscf was recorded from GA04 and GA06 during May. Wells GA02 and GA05 also had gas shows. Equipment reliability issues and weather affected the performance of the gas flow test. The extension of the pilot allows the JV to remediate equipment and continue the gas flow test.

Under-reamed wells GA03 and GA05 have both produced water with limited shows of gas. The latest test results suggest that under-reaming is not an optimum completion method for the coals in ATP 529.

Produced water management

The water storage facility continues to operate at 65% of capacity.

Work program and Budget 2012 - Second pilot

In the December Quarter 2011 Galilee set out details of the 2012 Work program and Budget (WP&B) which comprised firm and contingent components. A total of \$10 million (Galilee share) was forecast in the WP&B. The contingent component was reliant on commercial flows of gas from the Glenaras 5-spot pilot. The contingent element has been deferred to the 2013 WP&B. Consequently, Galilee forecasts calendar year 2012 total expenditure of \$4.5 million (Galilee Share). Expenditure by Galilee for the half-year ended 31 December 2012 is expected to be in the range \$1.5 to \$2.0 million.

ATP 799P (Galilee 100%)

A detailed Geological and Geophysical study on ATP 799P identified a number of prospective targets for further exploration work. The targets were prioritised and short listed to five proposed well locations. The primary objective is to evaluate the Betts Creek Coal Measures. A secondary objective is to evaluate the potential for shale gas in ATP799P.



During the quarter the board approved a plan to drill one exploration well, from the five proposed well locations, acquire 100km of 2D seismic and complete associated geological and geophysical studies in 2012.

Community engagement

Galilee Basin Operators' Forum (www.gbof.com.au)

RPS¹ issued the draft baseline water assessment report, prepared for the Galilee Basin Operators' Forum, for internal review and comment. RPS advises that the final report is expected to be available for release in the next Quarter.

Galilee is an active member of the Galilee Basin Operators' Forum – a group of ten companies with petroleum and exploration tenements in the Galilee Basin. The group was formed in April 2010 to jointly fund a co-operative baseline water assessment of the Galilee Basin. The baseline assessment supports a science-based assessment of coal seam gas activities and aims to identify the possible impact on ground water in the Great Artesian Basin.

Community engagement

AGL has launched a Galilee Gas Project website to provide stakeholders with easy access to specific information and events related to the project. The site provides fact sheets, a history of the project, links to information about CSG evaluation methods and access to community events as well as material from completed events. The site also provides real time weather information located at the Glenaras 5-spot pilot - see <http://agk.com.au/galilee>.

During the Quarter the planned open day was cancelled due to weather. The open day is now planned for 14 and 15 September 2012. Galilee and AGL also delivered presentations to community representatives and groups.

Growth opportunities

Galilee is actively pursuing growth through hydrocarbon development acquisitions. During the Quarter the company evaluated a number of onshore oil and gas opportunities predominantly in Australia. In several cases Galilee withdrew interest during due diligence due to unacceptable technical risk or vendor price expectations. Galilee continues to assess a number of opportunities.

Difficult market conditions coupled with headwinds coming from the US and Europe are contributing to a significant difficulty in reconciling vendor expectations with market valuations. The Board is determined to ensure that any transaction complements the existing portfolio of assets.

Corporate

Financials

At the end of the Quarter the company had cash of \$33.8 million and no debt. The cash flows for the Quarter are presented in the attached Appendix 5B report.

¹ RPS is an international consultancy providing world-class, local solutions in energy and resources, infrastructure, environment and urban growth.



Corporate directory

Board

Steve Koroknay
Chairman

Cam Rathie AM
Non-executive Director

Rino Camarri
Non-executive Director

Senior management

Glenn Haworth
Chief Executive Officer

Simon Brodie
Chief Financial Officer & Joint Company Secretary

Bill Lyne
Joint Company Secretary

Share capital

Shares	152.1 million
Options	8 million
Market Cap	\$20.5 million (at 29 June 2012)
Shareholders	Becamal Pty Ltd 16.85% Ecarlate Pty Ltd 12.06% Ekco Investments Pty Ltd 5.84% AMP Life 5.53%
Top 10 Shareholders 51.01%	

Assets

Galilee Gas Project (ATP 529P), covering 5,929km² in joint venture with AGL Energy Limited – each party holds 50%, AGL is the operator.

ATP 799P, covering 3,097km² held 100% by Galilee, GLL is the operator.

Principal and registered office

Level 2, 895 Ann St
Fortitude Valley Queensland 4006

Phone +61 (0) 7 3216 1155
Fax +61 (0) 7 3216 1199

Postal address

PO Box 2145
Fortitude Valley BC Queensland 4006

Share registry

Computershare
117 Victoria Street
West End QLD 4101

GPO Box 523
Brisbane QLD 4001

Phone +1300 55 22 70
+61 (0) 7 3237 2100 (International)
Fax +61 (0) 7 3229 9860

www-au.computershare.com/investor

Please direct shareholding enquiries to the share registry.

For further information contact:

Simon Brodie
Chief Financial Officer

Tel: +61 (0) 7 3216 1155
Fax: +61 (0) 7 3216 1199
Email: sbrodie@galilee-energy.com.au

Website

www.galilee-energy.com.au



Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Galilee Energy Limited

ABN

11 064 957 419

Quarter ended ("current quarter")

June 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1240)	(6,556)
	(479)	(2,199)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	595	2,322
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	(3)	7
	(1127)	(6,426)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
	-	-
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(1127)	(6,426)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(1127)	(6,426)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	-	-
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other (provide details if material)	-	-
Net financing cash flows		
Net increase (decrease) in cash held	(1127)	(6,426)
1.20 Cash at beginning of quarter/year to date	34,928	40,227
1.21 Exchange rate adjustments to item 1.20		
1.22 Cash at end of quarter	33,801	33,801

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	59
1.24 Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	1,532
4.2	Development	
4.3	Production	
4.4	Administration	498
Total		2,030

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	681	88
5.2	Deposits at call	33,120	34,840
5.3	Bank overdraft	-	-
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		33,801	34,928

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	152,140,466			
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	Unquoted 4,000,000 1,000,000 3,000,000	Nil	<i>Exercise price</i> 80 – 87 cents 24 cents Nil <i>Vesting</i> 1/3 36.75 cps 1/3 49.00 cps 1/3 61.25 cps	<i>Expiry date</i> 3.12.12 3.12.12 <i>Expiry date</i> 1.3.13 1.3.14 1.3.15
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.1 Expired during quarter				
7.1 Debt securities <i>(totals only)</i>				
7.1 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: ...31/07/12
(Joint company secretary)

Print name: Simon Brodie

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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